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**BEAR
STEARNS**Victor B. Miller IV
212 272-4233
vmiller@bear.comChristopher H. Ensley
212-272-3171
censley@bear.comTracy B. Young
212 272-0178
tyoung@bear.com**Equity Research**
Broadcasting/Radio & TV / Rated: Market Overweight
July 17, 2003**Univision Communications Corp. (UVN-\$32.65) -
Outperform**
Univision-Hispanic Merger: Que Pasa?**Data**

| | | | | | |
|-------------------------|-------|-----------------|-----------------------------|---------------|-------|
| Target Price-Yr.End '03 | \$35 | Shares Out | 360 million (PF for HSP) | EV/Fwd EBITDA | 20.0x |
| EV/EBITDA | 22.9x | Market Cap (MM) | \$11.9 billion | | |
| Dividend/Yield | Nil | Net Debt | \$1.32 billion | | |

GAAP Estimates

| | Year | P/E Year |
|------|--------|-------------|
| 2002 | \$0.31 | 105.3x |
| 2003 | \$0.44 | 74.2x |
| 2004 | \$0.59 | 55.3x |

EE Post Option Expense

| | Year |
|------|---------|
| 2002 | |
| 2003 | \$0.33E |
| 2004 | |

EBITDA

| | Year | EV/ EBITDA |
|------|------------|---------------|
| 2002 | \$332m | |
| 2003 | \$492m PFE | 22.9x |
| 2004 | \$572m PFE | 20.0x |

Key Points

- *** Que Pasa? It has been nearly 350 days since the Univision-Hispanic merger review began and its approval seems long overdue and it is hard to understand what still stands in the way of this deal's approval; the Department of Justice (DOJ) permitted the deal, the FCC's new rulemakings raise no issues with the deal and the deal has drawn considerable support from third parties.
- *** DOJ Approved UVN-HSP Merger on March 26. In its 8 month review of the UVN-HSP merger, the DOJ tested and rejected the notion the merger would lead to too much concentration in Spanish-language media; the DOJ seems convinced that there are separate radio and TV markets. Ultimately, the DOJ decided to limit anti-trust concerns to structural issues involving UVN's ownership stake in Entravision.
- *** FCC's New Rulemaking Raises No Issues with UVN-HSP Deal. Repeatedly, in the text of its new June 2, 2003 media ownership rules, the FCC reiterates that TV, radio and newspapers are poor substitutes for each other. So how can the merger of companies that are in compliance with TV rules (UVN) and radio rules (HSP) create issues when UVN owns no radio stations and HSP owns no TV stations?
- *** Deal Has Drawn Support from Congress, Trade Groups and Bill Richardson, U.S.' Only Hispanic Governor (NM). Those who commented questioned the "politicization" of the merger, remind the FCC that the deal is compliant with its previous and proposed rules, that the deal was cleared by the DOJ and that Spanish-language media should be able to compete on equal footing with English-language media.
- *** Current Argument That There is a "Spanish-Language Hispanic Market" Seems Specious. Hispanics use English media heavily and data suggests that Hispanics speak more English with each passing generation.

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Office of the Secretary

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***BEAR STEARNS DOES AND SEEKS TO DO BUSINESS WITH COMPANIES COVERED IN ITS RESEARCH REPORTS. AS A RESULT INVESTORS SHOULD BE AWARE THAT THE FIRM MAY HAVE A CONFLICT OF INTEREST THAT COULD AFFECT THE OBJECTIVITY OF THIS REPORT.

***INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION.

Que Pasa? Univision announced its intention to purchase the assets of Hispanic Broadcasting on June 12, 2002. It has been nearly 350 days since the FCC began to review this merger. The approval seems long-overdue and it is becoming hard to understand what still stands in the way of this transaction's approval; the Department of Justice (DOJ) signed off on the transaction on March 26, 2003, the FCC's new rulemaking does not raise any issues that would seem to threaten the deal and the deal has also drawn considerable support from Congress, trade groups and even from the nation's only Hispanic Governor as well.

Lastly, current arguments that suggest there is such a thing as a Spanish-language media marketplace seem dubious; Americans of Hispanic descent use English-language media heavily and rely more heavily on the English language with each passing generation.

The Courts, The Department of Justice and FCC All Recognize That Various Media are Poor Substitutes for Each Other. The first perplexing element of the continuing delay of the merger of Hispanic Broadcasting into Univision Communications is that three separate branches of the government all view media mergers in a similar fashion. Basically, the courts, the Department of Justice and the Federal Communications Commission all agree that various media are not really substitutable; that each media market is distinct.

If this is true, then how can a merger between a radio-oriented company and a TV-oriented company pose any problem, especially when Univision, a TV company with no radio exposure and Hispanic Broadcasting, a radio company with no TV exposure wish to merge?

The Courts Recognized That Radio is a Distinct Media in 1996. In 1996, the Courts weighed in on the concept that various media are poor substitutes for each other. In *United States v. Jacor Communications, Inc. and Citicasters* (1996 WC 784589 at *10 (Southern District Ohio - 1996)), the United States District Court, Southern District Ohio suggested that broadcast radio was a distinct media.

The court wrote its opinion in reaction to Jacor's announced acquisition of Citicasters on February 12, 1996. The court objected to Jacor's pro-forma 53% revenue share of the Cincinnati radio market and was troubled by the fact that Jacor would prospectively own six radio stations in Cincinnati and control the sale of ad time on three more stations.

Ultimately, the court required the divestiture of WKRQ-FM, a station owned by Citicasters, to grant approval for the merger of the two companies.

In its opinion, the court wrote: "For Cincinnati advertisers, radio is a qualitatively different medium from television or newspapers. Perhaps most significantly, radio gives Cincinnati advertisers the ability to reach target audiences far more efficiently than other media."

The court also wrote: "Radio thus has particular advantages for those seeking to place low-cost, targeted or time-sensitive advertising. Many Cincinnati advertisers therefore perceive radio as a distinct advertising medium from television or newspapers. Accordingly, many are not likely to switch any or some of their advertising budget from radio to other media were radio prices to rise 5-10%."

Department of Justice, Under Joel Klein, Advanced Theory of Distinct Radio Market in February 19, 1997 Speech to the National Association of Broadcasters. In a speech given to the National Association of Broadcasters on February

19, 1997, Joel Klein, who was then the Acting Assistant Attorney General of the Antitrust Division of the U.S. Department of Justice, provided some insight on how the Department of Justice viewed radio mergers.

Mr. Klein stated: "Now, when we get down to applying these general principles to a radio merger, while there are often case-specific disagreements, the overarching point that seems to divide us from radio owners can be summed up in one question – is radio a market? That is, in terms of a potential advertiser's options, can it fairly be said, as I've heard industry people frequently say, that an advertiser can always buy around radio, which I take to mean that if radio prices go up the advertiser can use newspaper, broadcast, cable, or some other effective substitute. And, before I explain why I believe that the answer to that question is no, let me make clear that if you disagree with my view on this fundamental point, then you believe that, even if a single person owned every radio station in the country, he or she would have no market power as a result and that, if he or she raised prices, say by 5%, enough advertisers would go to other media to make such a price increase unprofitable."

Mr. Klein continued: "Given the differences between the various media and the way they are looked at, or listened to, as well as the differences in prospective customers – young, old, have cable, don't – a claim of perfect (or even close-to-perfect) substitutability across different media simply isn't convincing."

Mr. Klein continued: "But even aside from personal experience, my view about the difference in these various media are based on the work we've done, reading the files and testimony of people in the industry, of advertisers, and of investment bankers, as well as from considering studies and analyses, including some that we've conducted ourselves."

FCC's New June 2, 2003 Media Ownership Rules Suggest that Various Media are Not Good Substitutes for Each Other. After reviewing the 257 page text of the FCC's June 2, 2003 Media Ownership Rulemaking, we believe that the Commission's stance, similar to that taken by the courts in 1996 and Joel Klein in 1997, suggests that there should be few problems posed by the merger of Univision and Hispanic because the Commission believes that TV, radio and newspapers are not good substitutes for each other.

Here are some summary points the FCC makes in its July 2, 2003 text.

- **FCC States That Broadcast TV is its Own Product Market.** Paragraph 152 (page 57) of the FCC's July 2, 2003 Media Ownership Rule text states: "We have determined that broadcast television advertising is a relevant product market. Advertisers differ in their ability to substitute between alternative media. Although some advertisers that use broadcast television stations may consider cable networks or the advertising time sold by local cable operators to be good substitutes, other advertisers may not consider these alternatives to be good substitutes. In addition, most advertisers that use broadcast television stations do not consider radio, newspapers, and other non-video delivery media to be good substitutes."
- **FCC Reiterates Position While Discussing Radio Ownership Rules.** Paragraph 243 (page 94) of FCC's July 2, 2003 Media Ownership Rule text states: "We conclude that advertisers do not view radio stations, newspapers, and television stations as substitutes." "This conclusion is consistent with MOWG Study No. 10 (Media Ownership Working Group, which generated the FCC's internal white papers on various media ownership issues), which found "weak substitutability" among various local media outlets for purposes of local advertising sales."
- **In Comments on Cross-Ownership, FCC Sees Little Media Substitution.** In its comments on newspaper-broadcast cross-ownership, in paragraph 332 (page 131) of the FCC's July 2, 2003 Media Ownership Rule the FCC states: "We conclude, based on the record in this proceeding, that most advertisers do not view newspapers, television stations, and radio stations as close substitutes. To begin with, the Department of Justice and several federal courts have concluded that the local newspaper market is distinct from the local broadcast market." "A newspaper/broadcast combination therefore is not a horizontal merger and cannot adversely affect competition in any product market."
- **Most Importantly, in Comments on Radio-Television Cross-Ownership, FCC Considers Radio and TV Not to be Good Substitutes.** In paragraphs 375 and 377 (pages 151, 152 and 153) of the FCC's July 2, 2003 Media Ownership Rule, the FCC states: "To assess the competitive impact of our radio/television cross-

ownership rule, we need to determine whether radio and television stations compete for sources of revenue generation – in this case, advertising. If we find that they do, i.e., that a significant number of advertisers consider radio and television to be good substitutes, then our concern would be that elimination or relaxation of the cross-ownership restrictions may enable a single firm to acquire sufficient market power to hinder small and independent broadcasters' efforts to generate revenue and thereby put their continued viability at risk. However, if radio and television broadcasters are not in the same product market, then we would have little concern that elimination or relaxation of the rule would have any negative effects on competition."

The FCC Ruling continues (paragraph 377): "As described in greater detail above, we conclude that most advertisers do not consider radio and television stations to be good substitutes for advertising and, therefore, that generally combinations of these two types of media outlets likely would not result in competitive harm."

- **The Final Conclusion – TV and Radio Neither Compete or Have any Vertical Relation to Each Other.** In paragraphs 381 of the FCC's July 2, 2003 Media Ownership Rule, the FCC states: "In sum, television and radio stations neither compete in the same product market nor do they bear any vertical relation to one another. A television-radio combination, therefore, cannot adversely affect competition in any relevant product market. Accordingly, we cannot conclude that the current television-radio cross-ownership rules is necessary to promote competition."
- **FCC Says Duty is to Consumers, Not Advertisers.** In paragraph 68 of the FCC's July 2, 2003 Media Ownership Rule, the FCC states: "Therefore we conclude that our duty as an agency runs to consumers, not advertisers. In many cases, competitive market structures specifically designed to protect consumers also will protect advertisers, and vice versa. Nonetheless, in setting our local television and local radio ownership caps, we will rely, where possible, on measures other than shares of advertising markets in order to reflect the decreasing relevance of advertising market shares as a barometer of expansion."

With these established policy positions in place, why can't Univision, which is a television company fully compliant with current FCC rules, and Hispanic Broadcasting, which is a radio company fully compliant with current FCC rules, merge?

Department of Justice Signed Off on Univision-Hispanic Deal on March 26, 2003. On March 26, 2003, the DOJ gave its approval for the merger of Hispanic Broadcasting into Univision Communications by entering into a consent decree with the companies. The DOJ did not require Univision or Hispanic Broadcasting to make any changes to the companies' wholly owned TV and radio stations.

In the consent decree, the DOJ required Univision to take the following actions:

- Univision is required to exchange its Class A and Class C common stock in Entravision for non-voting equity interests.
- Univision is required to reduce its holdings in Entravision to 15% of all outstanding shares within three years of the filing of the consent decree.
- Univision is required to reduce its holdings in Entravision to 10% of all outstanding shares within six years of the filing of the consent decree.
- Univision is enjoined and restrained, directly or indirectly, from suggesting or nominating any candidate for election to Entravision's board of directors.
- Univision is enjoined and restrained, directly or indirectly, from participating in, or receiving any materials from any nonpublic meeting of Entravision's Board of Directors or any governing body of Entravision.
- Univision is enjoined and restrained, directly or indirectly, from voting or permitting to be voted any Entravision shares.

- Univision is enjoined and restrained, directly or indirectly, from using or attempting its ownership interest in Entravision to exert any influence over Entravision's radio business.
- Univision is enjoined and restrained, directly or indirectly, from using its rights and duties under TV affiliation agreements or other relationships (such as the national TV sales relationship) to exert influence on Entravision's radio business.
- Univision is enjoined and restrained, directly or indirectly, from communicating or receiving any nonpublic information about Entravision's radio business.

With Univision's acceptance of the terms of the consent decree, the Department closed its review of the Hispanic Broadcasting/Univision merger and gave its approval for the transaction to proceed.

DOJ Investigated Theory that a Spanish-Language Radio and Television Ad Market Existed; the DOJ Rejected that Theory. Univision has confirmed that the DOJ looked closely into the possibility that a joint Spanish-language TV and radio market existed. This theory was cited in an article written by Jaret Seiberg on October 24, 2002.

Mr. Seiberg wrote "The Department of Justice is considering a novel antitrust theory that could make it tougher for Univision Communications Inc. to secure approval for its \$2.4 billion acquisition of Hispanic Broadcasting Corp."

"Sources said the antitrust division may define a joint market for Spanish-language radio and television advertising. Such a move would represent the first time in an antitrust review that the Justice Department has included radio and television within the same market."

The article also mentions: "Sources said the antitrust division is testing the legitimacy of its theory in just a handful of markets rather than in every market where Univision and HBC operate."

Since the DOJ approved the merger of UVN and HSP on March 26, 2003, the DOJ, de-facto, must have rejected its own "novel theory". Unfortunately, the DOJ is not required to, and in fact did not, provide any reasoning for the rejection of this "novel theory" in its consent decree.

One can only assume that the DOJ was comfortable with its final outcome in approving the merger after reviewing literally millions of pages of documents and after conducting and reviewing testimony by many, many players that would theoretically be affected by the merger.

At the end of the day, the DOJ, through rejection of its own "novel theory" supported the notion that there are separate Spanish TV and radio markets.

The UVN-Deal Has Drawn Considerable "Third-Party" Support, Even From Some Who Have General Concerns with Media Ownership in General. While it is true that dozens of Congressman, Senators, advocacy and even some companies (NBC/Telemundo and Spanish Broadcasting) have voiced displeasure with the proposed UVN-HSP deal (for many of the same reasons we cite in this report), there has also been some considerable support for the deal as well from:

- **Governor Bill Richardson – (D – New Mexico):** In a letter to Senator Daschle and Representative Pelosi: "As the only Hispanic State Governor – and as a senior Democratic elected official – I wholeheartedly support the pending merger of Univision and Hispanic Broadcasting Corporation (HBC). This pro-competitive combination will result in a Hispanic-run company with the resources to attract new advertisers and better serve this country's 37 million Hispanics." Governor Richardson also mentions the following:
 - "More than 80% of Univision's employees are Hispanic, including the Presidents of all three of its business units."
 - "The company is scrupulously fair and balanced in the coverage of politics, something important to me and to anyone who believes that the Democratic Party needs to reach out more effectively to Latino audiences."

- “Since most Hispanics in this country also speak English, Spanish-language media companies must fight every day against the English-language media conglomerates for audience and advertisers.”
- “Federal authorities have traditionally allowed the English-language television networks to purchase radio stations – and they recently allowed General Electric to buy the #2 Spanish-language television network when it already owns NBC, the #1 English-language television network. Why should Univision be barred from doing what the English-language media giants have done? Why shouldn’t a Hispanic media company get a chance to compete on an equal footing against Disney, Viacom, News Corporation, AOL Time Warner and the rest of the media establishment?”
- **Senator Bill Frist M.D. (R – Tennessee) – Majority Leader – United States Senate:** In a letter to FCC Chairman Powell: “Beyond the fact that the ethnicity and political leanings of the shareholders in a media company are in no way relevant to whether a proposed transaction is in the public interest, efforts to politicize this proceeding are an inappropriate attempt to distract the Commission from its statutory duty to promptly approve applications that comply with the FCC’s rules and promote the public interest.”
- **Senator Larry E. Craig (R – Idaho):** In a letter to FCC Chairman Powell: “It has come to my attention that several members of Congress have called upon you to establish a different regulatory treatment for stations choosing to serve a predominantly Hispanic audience. The suggestion that the FCC designate an artificial “Spanish-language market” based upon ethnicity/language preference of a broadcast station’s audience has no basis in law and should not be countenanced by your agency.”
- **Senator Kay Bailey Hutchinson – (R – Texas):** In a letter to FCC Chairman Powell: “Although I disagree with the Commission’s actions on cross-ownership and market concentration, there is a pending merger that meets the goal of better competition and stability. Specifically, the proposed merger of Hispanic Broadcasting Corporation (HBC), a Dallas-based radio company operating since 1949, with Univision Communications, Inc. will lead to increased competition in Spanish-formatted media.” “Combined, these companies would represent less than 13 percent of the total number of U.S. broadcast stations carrying Spanish-language programming. The merger complies with all FCC rules, both before and after the June 2 vote, and would require no waivers.”
- **Senator Jon Kyl (R – Arizona):** In a letter to FCC Chairman Powell: “Rest assured that there will be broad support in Congress for any decision that employs the traditional legal criteria heretofore used by the Commission. I am particularly troubled by, 1) the suggestion that the race or ethnicity of the people seeking permission to complete a transaction should be a consideration in a public interest determination, and, 2) the notion – one that seems to mock the First Amendment – that the public interest standard should be used as a warrant for discrimination against broadcasters based on their real or perceived political viewpoint.”
- **Congressman Devin Nunes – (R – California) – Assistant Majority Whip; Committee on Resources; Committee on Agriculture.** In a letter to House Speaker Dennis Hastert: “As a founding member of the Hispanic Conference who represents a larger Hispanic population, I am aware of the attempts to politicize the Commission’s consideration of the merits of this transaction. While I am sure you are aware of the merits of this transaction, the issue of further consideration of media ownership has been of concern. I am troubled by the fact that the ethnicity and political leanings of the parties involved are being politicized in an attempt to distract the FCC from its statutory role of promptly approving applications that comply with the Commission rules and promote the public interest.”
- **Congressman David Dreier – (R – California) – Chairman – Committee on Rules:** In a letter to FCC Chairman Powell: “In addition, as more than 80% of Univision’s and HBC’s employees are Hispanic, the increased ability that this merger will bring to Univision to compete against much larger broadcasters will not only promote the growth of Hispanic media, but allow these individual employees to ultimately bring their training and unique perspective to other Spanish and English-language stations that hire them in the future. Finally, the increased competitiveness of Hispanic media as a result of the merger will attract new capital to the industry, leading to increased management and ownership opportunities for those wishing to serve the Hispanic community.” The letter also states: “It is my understanding that this transaction complies with all FCC rules,

requests no waivers, and seeks no special consideration. I therefore urge you to complete your review and act on the application as promptly as possible.”

- **Congressman Christopher Cox – (R – California) – Chairman – Homeland Security Committee and Member of Energy and Commerce Committee:** While Congressman Cox urged “the Commission to reject any across-the-board “liberalization” of the vitally important protections against media concentration in the United States, and instead continue to evaluate proposed media mergers and acquisitions on a case-by-case basis under existing rules”, Congressman Cox stated: “This is not to say all mergers or alliances are anti-competitive. Indeed, the proposed merger of Univision Communications, Inc. and Hispanic Broadcasting Corporation (which as you know has already received conditional approval by the U.S. Department of Justice) is an example of pro-competitive market forces working in favor of the content and of strengthened diversity in broadcast competition. In the Univision-HBC merger, the combined company will constitute less than 1% of national radio station ownership, and less than 3% of broadcast television properties.”
- **Congressman Martin Frost - (D – Texas) – Ranking Member – Rules Committee:** In a letter to FCC Chairman Powell: “First and foremost, it has been suggested that this is a merger between Univision and Clear Channel. As you are aware, this is a merger between Univision and HBC. Clear Channel currently holds a passive investment interest in HBC and, post-merger, will have a mere 3.66% voting interest in the combined companies.” Congressman Frost continues: “Like many of my colleagues, I am concerned with preserving a competitive market for all underserved media including those specializing in Spanish-language. Suggestions that Hispanic formatted stations be segregated from other media are offensive to many of my Latino constituents who have worked hard to be a part of the American experience. Just as other specialty formatted stations compete for viewers, listeners and advertisers, including those stations targeting urban, African American, Asian, or religious, ethnic, and cultural audiences, Hispanics should be treated equally. I am very proud of the Hispanic culture in Texas and would oppose any suggestion that the media serving this community could be considered substandard or different from any other media market.”
- **The following Members of Congress: Lee Terry (R – Nebraska), Nathan Deal (R – Georgia), Barbara Cubin (R – Wyoming), Charles W. “Chip” Pickering (R – Mississippi), Steve Buyer (R – Indiana), Roy Blunt (R – Missouri), Ed Whitfield (R – Kentucky), John Shimkus (R – Illinois), Joe Barton (R – Texas), George Radanovich (R – California), Mary Bono (R – California), Darrell E. Issa (R – California), Mike Ferguson (R – New Jersey) and C. L. “Butch” Otter (R – Idaho):** In a letter to Chairman Michael Powell: “Creating an artificial “Spanish-language market” would establish a double standard by treating those broadcasters who choose to serve Hispanic audiences differently than those who choose other program formats. In reality, Spanish-language stations compete vigorously with English-language stations for advertisers and audience share and thus are part of the same media market. They should be allowed to compete under the same rules, thereby encouraging broadcast programming serving the Hispanic community, and giving media entities serving the Hispanic community the same opportunities and treatment as any other media company in this country.”
- **Congressman Henry Bonilla (R – Texas) and Congressman Patrick Toomey (R – Pennsylvania):** In a letter to FCC Chairman Powell: “Creating a separate Hispanic market to limit the growth and competitive capabilities of broadcasters who choose to serve Hispanics is nothing more than regulatory gerrymandering to the disadvantage Hispanics nationwide. This approach sets a dangerous precedent by creating a separate class of broadcast stations with a different set of rules based solely on program content, which in this case is cultural.” The letter also states: “This proposed merger of a television company with a radio company is pro-competitive, and will enable Univision and HBC to better compete with the larger, established English-language media groups.” “Given the public benefits arising from this proposed transaction, we as Members of Hispanic and Portuguese decent, urge you to act on the pending legislation.”
- **Raul Yzaguirre – President and CEO – National Council of La Raza [the Largest National Hispanic Civil Rights Organization].** In a letter to FCC Chairman Powell: “The National Council of La Raza (NCLR), the largest national Hispanic civil rights organization, rarely takes positions on corporate mergers; when we have done so, we usually filed in opposition, often in proceedings before the Commission.” “The issue of media consolidation and its impact on diversity is of great concern to NCLR. However, we also believe it would be

unfair to single out this merger in light of the fact that all of Univision's English-language competitors are media conglomerates, making it increasingly difficult for Spanish-language media to compete in this arena. Moreover, we are heartened by the initiatives undertaken and commitments made by Univision to bolster its news and public affairs programming and its U.S.-based content production, including a recent Telenovela produced in Los Angeles"

- **Alex Nogales, President/CEO – National Hispanic Media Coalition.** In a letter to FCC Chairman Powell: The National Hispanic Media Coalition is very concerned about the concentration of ownership in the media, and specifically about the pending rule changes at the FCC this coming week. However, the criticism leveled at this Spanish language network, Univision, appears to be subjected to a double-standard that did not exist in the case of NBC acquiring Telemundo or Viacom acquiring Infinity Broadcasting. The scale of those acquisitions was infinitely greater than the proposed merger of HBC and Univision."

Mr. Nogales also states: "The growth of Univision and its policies of training and promoting Hispanics have created a significant base of Hispanics who now have the experience to own and operate a broadcast station or network. Walter Ulloa, CEO of Entravision, is an excellent example of these policies. As a former Univision manager and lawyer, he gained the skills necessary to venture out on his own and build a powerful radio and television media company."

- **Andrew L. Stern – International President – Service Employees International Union AFL-CIO, CLC:** In a letter to FCC Chairman Powell: "Continued growth of the radio and television business of Univision will inherently mean growth in media opportunities for Hispanics. I am informed that more than 80% of the work force of Univision is Hispanic and that it is expected to grow. Hispanics are employed across the entire field of employment opportunities of Univision. In fact, 50% of the Univision Board and 65% of operating management are Hispanic. And over 130 Hispanic women hold management positions. I know this is not by accident; but rather by design."

Argument That There is a Spanish-Language Hispanic Market is Specious. Another argument that has resurfaced recently suggests that there is a "Spanish-language Hispanic advertising market".

Before we review the merits of the "Spanish-language Hispanic Market" argument, again we want to remind the reader of the fact that the DOJ reviewed millions of pages of documents and testimony and decided that the "novel theory" that a Spanish-language Hispanic market did not exist.

However, setting the DOJ decision aside for now, we believe that this conclusion is also driven by the reality of the marketplace. Here's why we think the marketplace leads us the same conclusion.

- **Hispanics Watch Spanish-Language Only Broadcast Networks Only 35% of the Time.** As the data below suggests, Hispanics actively use English-language TV media in addition to Spanish-language choices.

According to Nielsen Media Research's "Television Audience 2002", which was published in 2003: "Based on the average of November 2001 and February, May and July of 2002...All Hispanic homes spent 35% of their television viewing time tuned to Spanish language programs while spending 25% of their viewing time tuned to general market networks."

However, while Nielsen's comments centered on the rate of viewing between Spanish and English-language broadcast networks, total Hispanic viewing, including cable networks, becomes even more skewed towards English-language viewing.

As the Nielsen data makes clear, Hispanic homes spent:

- 35% of viewing time watching Spanish-language broadcast TV networks,
- 25% of viewing time watching English-language broadcast TV networks,

- 27% of viewing time watching English-language ad-supported cable,
- 5% of viewing time watching premium pay cable networks,
- 3% of viewing time watching “all other cable” channels (assuming these are public/access channels and local/regional channels),
- 3% of viewing time watching public TV stations, and
- 2% of viewing time watching “independent” broadcast TV stations (not affiliated with ABC, CBS, NBC, WB, UPN, Pax, Univision, Telefutera or Telemundo).

It is hard to conceive that a Spanish-only Hispanic market exists when 65% of Hispanics’ TV viewing is focused on English-language fare.

- **Hispanics Tune to Spanish-Language Radio Less Than Half the Time.** While a significant amount of Hispanics’ viewing experience is focused on English-language choices, the same also holds true in the radio media as well.

In a May 14, 2003 filing to the Commission, Scott Flick, Counsel for Univision Communications and Roy Russo, Counsel for Hispanic Broadcasting, provided the rankings of the top ten most listened to radio station by Hispanics in various markets.

As one can see in the Exhibit, the filing analyzes the top ten most frequently listened to radio stations by Hispanics in each of the fourteen markets in which Hispanic Broadcasting operates. The analysis focused on 12+ listenership, Monday through Sunday 6 AM to 12 midnight, for the Winter 2003 Arbitron reporting period.

As one can see clearly, in HBC’s 14 radio markets, from 40% (recorded in 5 radio markets) to 90% (seen in one market) of the top-ten highest ranked radio stations among Hispanics in Hispanic Broadcasting’s markets are English-language stations. Obviously, Americans of Hispanic descent rely heavily on English-language media.

Interestingly, in two markets, Houston and San Antonio, there are radio stations with a bilingual format. How could there be a “Spanish-language market” when a format like this could even exist?

**Summary of Top Ten Stations Among Hispanic Listeners
in All Fourteen Hispanic Broadcasting Markets**

| Market | Spanish- Language Stations in Top Ten | English- Language Stations in Top Ten | Percent English- Language |
|----------------------|--|--|---------------------------------|
| Albuquerque | 1.0 | 9.0 | 90% |
| Chicago | 6.0 | 4.0 | 40% |
| Dallas | 6.0 | 4.0 | 40% |
| El Paso | 3.0 | 7.0 | 70% |
| Fresno, CA | 6.0 | 4.0 | 40% |
| Houston | 5.5 | 4.5 | 45% One Bilingual |
| Las Vegas | 5.0 | 5.0 | 50% |
| Los Angeles | 6.0 | 4.0 | 40% |
| Miami-Ft. Lauderdale | 6.0 | 4.0 | 40% |
| New York, NY | 5.0 | 5.0 | 50% |
| Phoenix | 4.0 | 6.0 | 60% |
| San Antonio | 3.5 | 6.5 | 65% One Bilingual |
| San Diego | 4.0 | 6.0 | 60% |
| San Francisco | <u>4.0</u> | <u>6.0</u> | <u>60%</u> |
| Totals | 65.0 | 75.0 | 54% |

Source: Univision filing to the FCC - May 14, 2003

Note: Stations ranked by number of Hispanic listeners, age 12+, in the average quarter-hour, Monday through Sunday, 6.00AM to midnight. Data from Arbitron - Winter 2003.

In addition, according to Univision/Hispanic's filing, which relied heavily on data from Arbitron:

- "Hispanics listen heavily to English-language stations. In the markets in which HBC's stations are located, an average of nearly two-thirds of all Hispanics listen to English-language radio stations. In fact, in some markets, such as Albuquerque, 82% of Hispanics listen to English-language radio stations. (Source: Arbitron, Hispanic Person 12+/Total Week/Fall 2002).
- "Nationally, Hispanics spend the *majority* (53.4%) of their radio listening time listening to English-language formats. (Source: Arbitron, Power of Hispanic Consumers at 25)."
- "Of the five most popular radio formats among Hispanic listeners, only two of them are in Spanish. (Source: Arbitron, 2001 Hispanic Radio Today)."
- "Further emphasizing the point, because HBC itself focuses on formats that it believes will attract Hispanics, it programs stations in both English and Spanish. Of HBC's 62 radio stations, six are programmed in all English, and three utilize bilingual formats, even though they are all targeted at Hispanic listeners. The suggestion that Hispanics listen only to Spanish-language media is a fallacy." In essence, nearly 15% of HBC's stations are not programmed only, or not at all, in Spanish, yet are targeted to Hispanics.
- **Hispanics Speak More English with Every Passing Generation.** An article entitled "Is Spanish the Measure of 'Hispanic'?" printed in the New York Times on June 3, 2003 and authored by Mireya Navarro, a staff writer for the New York Times, seems to suggest that with each passing generation, Hispanic Americans start to more "Americanized", which includes an increase use of the English language. In the article, Ms. Navarro writes:
 - "In fact, the Pew survey showed, Latinos get closer to the mainstream in views and attitudes the farther away they get from their immigrant roots."

- “Take the family of Vianni Gomrez, an 18-year-old Dominican who lives in Harlem with her parents, two younger brothers and grandmother. She moved here barely four years ago, but she and her 15-year-old brother already speak mostly English to each other, even though her parents understand little English and their grandmother understands none. The siblings also shun Spanish-language television for shows like “American Idol”, and neighborhood clothing stores with names like El Mundo for Macy’s.
- “A second-generation English-speaking Dominican in New York will have more in common with a second-generation English-speaking Mexican in Los Angeles than with a recently arrived Spanish-speaking Dominican in New York”, said the Pew Center’s director, Roberto Suro.”
- “A national cable channel, Telemundo’s mun2 is among the newer media outlets now testing cultural relevance by offering talk, music and news magazine programs mainly in English directed toward Latinos in the 18-34 age group. In 2001 the publisher HarperCollins began the imprint Rayo, which publishes Latino authors mostly in English. We’re invisible, as if we didn’t exist,” Rayo’s editorial director, Rene Alegria, said of his market. “People forget we’re American.””
- In New York City, Latinos make up 27 percent of the population. National data from the 2000 census on nativity and language spoken at home are not yet available, but the numbers for selected states like New York and New Jersey show that native-born Latinos slightly outnumber those who immigrated, and that the great majority of all Latinos speak both English and Spanish. Nearly 70 percent of the country’s estimated 37 million Latinos are under 35, including immigrant children who usually need only a few years to become fluent in English and bicultural. To reach this population, the language increasingly being used is English.”

This viewing, listening and census/language data all suggest that Hispanics, like many other cultures that immigrate to the U.S., increasingly use English as a primary language and “become Americans”.

When we initiated coverage of Univision in 1999, we raised the concern that as families of Hispanic descent stayed for multiple generations, Hispanics’ reliance on the “mother-tongue” declined. Here’s a chart that we published back in 1999 based on data from Advertising Age.

Hispanic Television Viewing Patterns

| | Percent of Hispanics That Speak Spanish Exclusively | Percent of Hispanics That Speak Spanish Primarily | Percent of Hispanics That Speak English & Spanish Equally |
|------------------------|---|---|--|
| Male | 33.0% | 37.2% | 49.3% |
| Female | <u>67.0%</u> | <u>62.8%</u> | <u>50.7%</u> |
| | 100.0% | 100.0% | 100.0% |
| Have Children Under 18 | 46.4% | 47.3% | 62.0% |
| No Children | <u>53.6%</u> | <u>52.7%</u> | <u>38.0%</u> |
| | 100.0% | 100.0% | 100.0% |
| U.S. Born | 17.9% | 9.4% | 20.5% |
| Foreign Born | <u>82.1%</u> | <u>90.6%</u> | <u>79.5%</u> |
| | 100.0% | 100.0% | 100.0% |

Source: Advertising Age; Bear Stearns & Co., Inc.

As one can see from this chart, of those Hispanics that characterize themselves as relying on Spanish exclusively, most are foreign-born Hispanics (82%) relative to U.S. born Hispanics (18%). As one can also see from this chart, of those Hispanics that characterize themselves as primarily relying on Spanish, again, most are foreign-born Hispanics (91%) relative to U.S. born Hispanics (9%). This data also suggests that there are distinctions between U.S. born and

foreign-born Hispanics in language. To suggest all U.S. born Hispanics, or foreign-born Hispanics create a unified Spanish-language market is not supported by these facts either.

New Competitors to Univision Still Emerging. Also, the Spanish-language industry still continues to draw new competition.

On the TV side, American's #1 broadcast network, NBC and its parent General Electric invested approximately \$2.7 billion in Telemundo and Azteca America (programmed by Mexico-based company, TV Azteca) now claims to reach 63% of all U.S. Hispanic households (this statistic is mentioned by the company; Nielsen estimates suggest Azteca America reaches approximately 35-38% of all U.S. Hispanic households).

As Univision stated in its May 14, 2003 filing with the FCC: "The ease with which broadcast stations can be changed to a Spanish-language format is demonstrated by the fact that since January 1, 1998, Univision has acquired and converted thirty stations to a Spanish-language format."

On the radio side, Hispanic is one of more than 375 owners of Spanish-language radio stations. As the Univision/Hispanic filing of May 14, 2003 suggests: "...it must be remembered that the 56 HBC radio stations formatted at least partially in Spanish represent only 8% of Spanish-language radio stations in the U.S. Moreover, the number of Spanish-language radio stations is growing at a furious pace, having doubled in the last decade. (Source: figures from M Street Journal). According to Arbitron, between 2001 and 2002, the number of Spanish-language radio stations in the United States increased from 600 to 699. (Source: Arbitron, 2001 Radio Today). In just one year, far more Spanish-language stations came into existence that are involved in the proposed merger."

BIA -- Investing in Radio data suggests that Hispanic Broadcasting owns approximately 7.3% of all Spanish formatted radio stations in the U.S. In fact, the top twenty largest players own only 31.4% of all radio stations.

Top 20 Owners with Spanish Format Stations - Number of Stations

| Parent | No. of Spanish Format Stations | % of All Spanish Format Stations |
|--|--------------------------------|----------------------------------|
| Hispanic Broadcasting Corporation | 57 | 7.3% |
| Spanish Broadcasting System | 24 | 3.1% |
| Entravision Holdings LLC | 44 | 5.6% |
| Lieberman Broadcasting Inc | 9 | 1.1% |
| Radio Unica | 14 | 1.8% |
| Arso Radio Corporation | 10 | 1.3% |
| Lotus Communications Corporation | 10 | 1.3% |
| Mega Communications Inc | 7 | 0.9% |
| Multicultural Radio Broadcasting Inc | 6 | 0.8% |
| Lazer Broadcasting Corporation | 10 | 1.3% |
| Clear Channel Communications | 13 | 1.7% |
| Amigo Broadcasting LP | 10 | 1.3% |
| Bestov Broadcasting | 4 | 0.5% |
| El Dorado Broadcasting Corp | 1 | 0.1% |
| Moon Broadcasting Corp | 11 | 1.4% |
| Blanco Pi, Wilfredo G | 2 | 0.3% |
| Roman Catholic Church | 2 | 0.3% |
| Collazo, Pedro Roman | 6 | 0.8% |
| Nassau Broadcasting Partners LP | 1 | 0.1% |
| ABS Incorporated | 6 | 0.8% |
| Total for Top 20 | 247 | 31.4% |
| Total for All Spanish Format Operators | 786 | 100.0% |

Note: Format includes Mexican, Tejano, Ranchera and all variations of Spanish.

Univision is a Broad-Based Entertainment Network, Not a Narrowly Focused News Channel; Deal Should Not be a Content-Based Decision. A May 25, 2003 Washington Post article entitled "Democrats Fight Hispanic Media Merger Republican Ownership Could Limit Access to Viewpoints, Groups Tell FCC", written by Juliet Eilperin, states: "Concerned about Republican inroads into the Hispanic community, congressional Democrats are trying to fend off a proposed merger between Univision Communications Inc. and the Hispanic Broadcasting Corporation."

"More than 20 Democratic senators and representatives – including Senate Minority Leader Thomas A. Daschle (D – S.D.) – have urged Federal Communications Commission Chairman Michael Powell to block the planned corporate marriage between the two entities, which would create the nation's largest Spanish-language radio and TV company. Although the fight is ostensibly over media ownership, several Democrats acknowledge it is part of a larger battle for Latinos' political allegiance."

"Democrats fear the \$2.5 billion merger would place more power in the hands of a few politically active Republican business executives, who could influence the news reports heard by million of Hispanics."

The theories advanced by The Washington Post seem unsupported by reality:

- Univision, like ABC, CBS and NBC, is a broadcast entertainment network. So like any other entertainment network, Univision must offer entertainment programs with "wide appeal" in order to attract viewership as opposed to narrowly focused political commentary.
- Univision's weekday programming schedule (7 AM to midnight) consists of information/talk shows, dramatic series, entertainment news, tabloid news and like ABC, CBS and NBC, only one hour of "hard network news" per night. Over half of the programming hours, including 75% of prime time, are sourced from third

parties. A simple review of Univision's programming grid (Univision shows' titles are bolded and italicized) suggests that Univision's schedule is hardly dominated by news, thus providing Univision limited opportunity to engage in political commentary it would seem.

- Univision, the broadcast network, produces one hour of "hard" network news nightly, from 6:30 PM to 7:00 PM nightly and from 11:30 PM to midnight. The local stations also produce one hour of nightly news, from 6:00 PM to 6:30 PM and from 11:00 PM to 11:30 PM nightly. During the network news time slot in May 2003, UVN's 6:30 PM network news was viewed in 1.278 million homes and an estimated 0.933 million 18-49 year-old viewers tuned in.

This means that only 13.1% of the 9.730 million Hispanic households tuned into UVN's broadcast network news in May 2003. Telemundo's news captures 4.5% of the broadcast network news audience. Together both news products capture less than 18% of the Hispanic audience between 6:30 PM and 7:00 PM.

UVN Network Program Schedule - Eastern/Central America - 7AM to 1 AM

| Time | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|----------|--|---------------|-----------|-----------------|-----------------------|--|--------|
| 7:00 AM | Despierta America (news/talk/variety) | | | | | Un Desayuno Alegre (news/talk/variety) | |
| 7:30 AM | | | | | | | |
| 8:00 AM | | | | | | | |
| 8:30 AM | | | | | | | |
| 9:00 AM | | | | | | | |
| 9:30 AM | Marta Susana (talk show) | | | | | | |
| 10:00 AM | | | | | | | |
| 10:30 AM | | | | | | | |
| 11:00 AM | Alma - Casos de la Vida Real (drama series) | | | | | | |
| 11:30 AM | | | | | | | |
| 12:00 PM | Todo sobre Camila (novela) | | | | | | |
| 12:30 PM | | | | | | | |
| 1:00 PM | Engañada (novela) | | | | | | |
| 1:30 PM | | | | | | | |
| 2:00 PM | Clase 406 (novela) | | | | | | |
| 2:30 PM | | | | | | | |
| 3:00 PM | | | | | | | |
| 3:30 PM | | | | | | | |
| 4:00 PM | El Gordo y la Fieca (entertainment magazine) | | | | | | |
| 4:30 PM | | | | | | | |
| 5:00 PM | Primer Impacto (news magazine) | | | | | | |
| 5:30 PM | | | | | | | |
| 6:00 PM | Viriana (talk/variety) | | | | | | |
| 6:30 PM | Noticiero Univision (network news) | | | | | | |
| 7:00 PM | Las Vidas del Amor (novela) | | | | | | |
| 7:30 PM | | | | | | | |
| 8:00 PM | Robeca (novela) | | | | | | |
| 8:30 PM | | | | | | | |
| 9:00 PM | Nina - Amada Mia (novela) | | | | | | |
| 9:30 PM | | | | | | | |
| 10:00 PM | Critica - Ver para Creer | Don Francisco | Presenta | Agotado y Ahora | Casos de la Vida Real | | |
| 10:30 PM | (talk/variety) | | | (news magazine) | | | |
| 11:00 PM | Primer Impacto Extra (news magazine) | | | | | | |
| 11:30 PM | Noticiero Univision - Última Hora (network news) | | | | | | |
| 12:00 AM | Hasta las 12:00 horas (talk show) | | | | | | |
| 12:30 AM | | | | | | | |

Source: Univision

- Univision's newscast captured the Edward R. Murrow award in 2001 for the best national newscast in the United States. Univision's journalists, like many English-language players, have won scores of local, regional, and national Emmy awards.

- We believe that Hispanics in the U.S. have many Spanish-language news options including secondary audio programs (SAP) on many ABC, CBS, NBC, WB and UPN affiliates, CNN en Español, Telemundo, Azteca America, local 24-hour Spanish-language news channels in New York, Tampa, Phoenix, and from independent Spanish-language TV stations. And we also believe that Univision sources much of its international news from affiliation relationships with ABC and CNN.

- As the programming grid for the Telemundo network, which is in the next Exhibit suggests, Univision produces only three of the programs aired on Telemundo in a typical week; a talk/variety show entitled "Escandalo T.V.", a sports newscast "Contacto Deportivo" and a live boxing show on Friday nights, "Solo Boxeo". It would be hard pressed to suggest that this new broadcast network would affect political discourse either.

• **Univision Has Lower Sell-Out Rates Than Do English-Language Broadcast Networks, Reflecting Less Demand.** While English-language broadcast network sell-outs are at record high levels and, conversely, network cancellation rates are at record low levels, Univision's networks, on average generally have sell-out rates approaching 60-70% in primetime.

• **Univision Has Significantly Less Inventory for Sale Relative to English-Language Networks, Reflecting Less Demand.** We believe that the average broadcast network (ABC, CBS, NBC, Fox, WB, UPN) airs 12 1/2 to 13 1/2 minutes of commercials every hour, while the Univision, Telemundo and Galavisión networks air, on average, 10 minutes, 6 minutes and 6 minutes of commercial inventory every hour. Univision, Telemundo and Galavisión air 20-25% less, 52-56% less and 52-56% less commercial inventory than do the English-language networks. If there was sufficient demand for inventory, we believe that the company would carry inventory load levels that were similar to those of the English-language networks.

Univision's Networks and Stations Have Never Approached Sell-Out. Another argument leveled against the merger of Univision and Hispanic is that there will be an inordinate amount of consolidation in the "Spanish-language-only" ad market. Again, this theory seems unsupported by facts:

Setting all of the previous comments aside, others do not believe content should be an issue anyway. In an editorial in The Washington Times entitled "No Federal Content Commission", printed on July 9, 2003, the Post states: "In this case, all the antitrust angles have been cleared. A competitor, the Spanish Broadcasting System, filed suit opposing the merger on anti-trust grounds, but this case was dismissed in January. Similarly, on March 26, the Justice Department cleared the merger so long as some minor stock-related issues were addressed. After these decisions, Senate Leader Tom Daschle complained in a May 6 letter to the FCC that approval of the merger "could significantly impact public debate." This makes clear he is pushing for regulation based on content."

In a recent interview with the Washington Times, included in an article entitled "FCC Chief Says Tech is Wild Card", written by Chris Baker, Chairman Michael Powell stated, concerning the subject of media consolidation in general, that: "Eighty percent of this debate often is about either not enough content that some community would prefer to see or too much of something that a community does not want to see. And it wants the government's aid in having that come out more like they want. And this starts to make me uneasy."

Source: Univision

| Time | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|----------|--------|---------|-----------|----------|--------|----------|--------|
| 1:00 AM | | | | | | | |
| 1:30 AM | | | | | | | |
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- **Compounding Affect of Less Inventory and Lower Sell-Out Puts Univision at Significant Disadvantage Relative to English-Language Broadcast Networks.** Compounded, the combination of Univision's lower audience levels, lower sell-out rates and lower inventory levels suggest that Univision's total ad dollars are significantly less than those captured by English-language networks.
- **Univision's Ad Rates are at or Below English-Language Media.** Addressing the "domination of Spanish-language-Hispanic market" issue yet again, it would be hard to conclude that Univision dominates in even one media. As the Exhibit illustrates, the ad rates charged by Univision on its broadcast networks, on a cost per thousand basis, are equal to, and in some cases, lower than their English-language counterparts.

Primetime Cost Per Thousand Estimates

2003-2004 Upfront - Adults 18-49

| Broadcast Network | Approximate Cost per 1000 2003-2004 Upfront (\$) | Univision Relative to Other Networks | Telefutura Relative to Other Networks |
|-------------------|--|--------------------------------------|---------------------------------------|
| NBC | \$28.00 | 75% | 54% |
| CBS | \$26.00 | 81% | 58% |
| Fox | \$26.00 | 81% | 58% |
| ABC | \$24.00 | 88% | 63% |
| Univision | \$21.00 | NR | 71% |
| UPN | \$19.00 | 111% | 79% |
| Telefutura | \$15.00 | 140% | NR |

Source: Bear, Stearns & Co., Inc. from Various Sources

As the Exhibit suggests, we believe that Univision's cost per thousand rates are 75% those of NBC, 81% those of CBS and Fox and 88% of ABC. Univision's CPMs are only higher than the UPN network, we believe.

If Univision had a "stranglehold" on Spanish-language TV marketplace, then why are Univision's cost per thousand [CPM; the unit rate of an advertisement converted to the cost to "expose" an ad to 1,000 of a particular target demographic] rates equal or lower than those of the English-language networks?

- **Univision's "Oversell" is Below that of Telemundo's.** The next Exhibit estimates the "oversell" (or otherwise known as the power ratio) for its network is below that of Telemundo. The "oversell" or "power ratio" is a ratio of the advertising revenue share relative to audience share. Ideally, a television station or a radio station would love to have a power ratio in excess of 1.0x, implying that the station/network is being allocated ad dollars in-line with the audience it generates.

Spanish Broadcast Networks' Oversell

| Network | Revenue Share | Audience Share | Oversell |
|----------------------|---------------|----------------|----------|
| Univision/Telefutura | 75.0% | 80.0% | 93.8% |
| Telemundo | 25.0% | 20.0% | 125.0% |

Sources: Various Industry Sources; GE Analyst Meeting

Again, if Univision is so dominant in broadcast television, then why does its advertising "oversell" ratio (conversion of advertising revenue share to audience share) significantly lag that of Telemundo?

The bottom line is, how does a company "control" a fictitious Spanish-language-only advertising market when these networks' sell 25% to 50% inventory than do their English-language counterparts.

In other words, how does Univision control an advertising market for which there is significantly less demand? How does a company exercise market power in a market where supply far outstrips demand? How does Univision

dominate the TV market (let alone the radio market in theory) when the company is not getting its fair share of ad dollars?

The Merger Is not About Costs, Its About Competing and Expanding Advertiser List. We believe that the Univision merger with Hispanic has little to do with costs; there are no material cost savings to this merger. The companies have repeatedly stated that the purpose of the merger was a) to compete with much larger, multi-media, globally-oriented entertainment and distribution companies (cable and satellite, for example) and b) expand the potential list of advertisers in Spanish-language media.

For example, as the Exhibit suggests, we believe that a fraction of the advertisers that commit to placing dollars in the English-language broadcast television network upfront market also place money in the Spanish-language network TV marketplace. While it is true that over 42% to 45% of advertisers commit to both the Spanish and English-language TV networks, we estimate that 55% of advertisers that commit to the English-language upfront do not currently buy the Spanish-language networks while 58% of the advertisers that commit to English-language TV during the course of the broadcast season do not commit to the Spanish-language TV networks during the season.

Number of Broadcast Network Advertisers - Spanish Versus English

| | Hispanic Market | English Market | Hispanic Versus English |
|------------------|--------------------|-------------------|----------------------------|
| Upfront Market | Approximately 135 | Approximately 300 | 45.0% |
| Broadcast Season | Approximately 230 | Approximately 550 | 41.8% |

Source: Univision Conference Call; Telemundo, Bear, Stearns & Co. estimates

Note: Number of Advertisers represent number of corporate entities, not brands

We believe that this same logic was at the core of NBC's decision to buy Telemundo. We believe that General Electric/GE believes that they will be able to convert more English-language [NBC] broadcast network advertisers to its new Spanish-language broadcast network, Telemundo.

If Univision dominated "Spanish-language media", then why would one of the companies stated goals be to expand its roster of advertisers?

Back on the Front Burner at the FCC? On July 1, 2003, the Federal Communications Commission sent a letter to Univision and Hispanic Broadcasting advising them that the "180-day clock on consideration of the license transfer applications related to the proposed merger between Univision and Hispanic Broadcasting Corp." had essentially been restarted.

The FCC, in general, under Chairman Powell, set a goal to complete its review process of proposed license transfers for transactions brought to the FCC within 180 days.

On July 23, 2002, Hispanic Broadcasting and Univision filed applications with the Commission "seeking Commission consent to the transfer of control of Hispanic Broadcasting's licenses and authorizations to Univision."

In its July 1, 2003 letter, the FCC noted that it had stopped the 180-day review clock on January 24, 2003 for two reasons.

- First, "the Commission is permitted to examine documents that you submit to the Department of Justice as part of their antitrust review of your merger in order to determine whether any of the documents are relevant to the issues under our consideration."
- "Second, we stated that this transaction presents novel issues, and thus consultations between the Commission and the Department of Justice, as permitted under our rules, would appear to be particularly useful."

"On March 26, 2003, the DOJ filed a consent decree that spelled out terms upon which UVN/HSP and the DOJ agreed. On May 7, 2003, the DOJ "filed a competitive impact statement in the antitrust case, which was published in the Federal Register on May 21, 2003."

The Commission's letter continues: "We have now had an opportunity to fully review the documents you submitted to the Department of Justice and to consult with the Department. We are therefore restarting the informal 180-day clock."

We believe that this is a positive development and may suggest that the UVN-HSP merger is back on the front burner at the Commission.

Companies Mentioned

Univision Communications Corp. (UVN - \$32.65) - Outperform
General Electric Co. (GE - \$27.38) - Not Rated
Disney Co. (DIS - \$21.05) - Underperform
News Corp. (NWS - \$30.55) - Not Rated
Arbitron (ARB - \$38.29) - Outperform

Valuation Method For Target Price: EV to EBITDA
Investment Risks: war, recession, consumer confidence

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Victor Miller

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Underperform (U) - Stock is projected to underperform analyst's industry coverage universe over the next 12 months.

Ratings for Sectors (vs. regional broader market index):

Market Overweight (MO) - Expect the industry to perform better than the primary market index for the region over the next 12 months.

Market Weight (MW) - Expect the industry to perform approximately in line with the primary market index for the region over the next 12 months.

Market Underweight (MU) - Expect the industry to underperform the primary market index for the region over the next 12 months.

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